

Message Text

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ACTION EB-07

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TO SECSTATE WASHDC 613

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: GATT HANDLING OF EC MEDITERRANEAN AGREEMENTS

REF: (A) GENEVA 1072, (B) 73 EC BRUSSELS 1601, (C) 73 STATE 112063

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EC BRUSSELS 340

1. WE HAVE READ WITH INTEREST GENEVA'S 1072 AND WISH TO COMMENT ON SEVERAL OF THE ISSUES IT RAISES, IN PARTICULAR THE CONFUSION CONCERNING WHETHER OR NOT THE MEDITERRANEAN LDCE, AS DISTINCT FROM SPAIN AND ISRAEL, FALL WITHIN THE AGREED GEOGRAPHIC LIMITS FOR EC PREFERENTIAL TRADE ARRANGEMENTS FORESEEN IN THE CASEY/SOAMES UNDERSTANDING OF MARCH, 1973 (SEE REFTEL B).

2. FOR THE US, ONE OF THE MAIN PURPOSES OF THE CASEY/SOAMES FIVE-POINT AGREEMENT WAS THE ELIMINATION OF REVERSE PREFERENCES. ANOTHER WAS TO ESTABLISH AN EFFECTIVE LIMIT TO THE
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SPREAD OF EC SPECIAL PREFERENCES. FOR THE COMMUNITY,

THE GOAL WAS TO NEUTRALIZE A CONTENTIOUS ISSUE IS US/EC RELATIONS WITHOUT JEOPARDIZING AN APPROPRIATE "GATT COVER" FOR ITS PREFERENTIAL ARRANGEMENTS. THE EC INTERPRETS CASEY/SOAMES POINT FOUR, I.E., "AN UNDERSTANDING THAT THE US WILL NOT CHALLENGE IN GATT THE AGREEMENTS IN QUESTION ON THE GROUNDS THAT THEY ARE INCONSISTENT WITH ARTICLE XXIV", (RESERVING OUR LEGAL RIGHTS IN OTHER RESPECTS), AS THE QUID PRO QUO FOR THE COMMUNITY'S ELIMINATION OF OBLIGATORY REVERSE PREFERENCES IN THE LOME CONVENTION AND IN AGREEMENTS CONCLUDED OR NEARING CONCLUSION WITH THE MEDITERRANEAN LDCS. FOR THE UNITED STATES TO RENEGE ON ITS PART OF THE CASEY/SOAMES BARGAIN, NOW THAT THE COMMUNITY HAS COMPLETED NEGOTIATION OF MOST OF THE AGREEMENTS FORESEEN, WOULD BE INTERPRETED AS A SERIOUS BREACH OF FAITH AND WOULD REOPEN AS ISSUE WHICH WAS ONE OF THE MOST CONTENTIOUS IN US/EC RELATIONS FOR YEARS PRIOR TO 1973. WE STRONGLY SUGGEST THAT IT IS NOT WORTH IT. CASEY/SOAMES GOT RID OF EC EFFORTS TO REQUIRE REVERSE PREFERENCES. IT IS A PRINCIPAL BASIS FOR THE COMMISSION'S SO-FAR SUCCESSFUL EFFORT TO RESIST STRONG PRESSURE FROM BOTH IRAN AND SOME MEMBER STATES FOR A SPECIAL PREFERENTIAL ARRANGEMENT. TO JEOPARDIZE THE POSITIVE RESULTS OF THIS UNDERSTANDING BY NOT MEETING OUR END OF THE ARRANGEMENT WOULD EXPOSE US TO THE MORE SERIOUS RISK OF HAVING THE CASEY/SOAMES AGREEMENT UNRAVEL COMPLETELY. FINALLY, BEYOND THESE IMPORTANT ASPECTS OF PRINCIPLE CONNECTED WITH OUR 1973 UNDERSTANDING, THERE IS ALSO A VERY STRONG CASE TO BE MADE THAT THE EC AGREEMENTS WITH THE MASHRAQ AND MAGHREB CAN MAKE A SIGNIFICANT AND POSITIVE ECONOMIC AND POLITICAL CONTRIBUTION TO THE US GOAL OF A STABLE MEDITERRANEAN.

3. GENEVA 1072 REAISES SEVERAL SPECIFIC ISSUES WE WOULD LIKE TO CLARIFY. FIRST, THOUGH THERE IS SOME AMBIGUITY IN THE RECORD, WE BELIEVE THAT THE BULK OF THE EVIDENCE ESTABLISHES THAT BOTH THE US AND THE EC WERE OF THE OPINION THAT THE CASEY/SOAMES UNDERSTANDING COVERED THE NON-EUROPEAN MEDITERRANEAN LDCS, INCLUDING THE MASHRAQ (PARA 3, REF A). THE "SPECIFIED LIST" OF COUNTRIES IN LIMITED OFFICIAL USE

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THE MARCH 1973 CASEY/SOAMES UNDERSTANDING DOES NOT EXIST IN LIST FORM. HOWEVER, IN THE APRIL 1973 FOLLOW-UP TALKS ON PREFERENTIAL ARRANGMENTS, THE COMMISSION SPOKESMAN LISTED THE "NON-EUROPEAN COUNTRIES OF THE MEDITERRANEAN" AS ONE OF THE BASIC GROUPS OF ELIGIBLE COUNTRIES (REFTEL D). SIMILARLY, THE US DUE, WITH SPECIFIC AUTHORIZATION FROM WASHINGTON TOOK A SIMILAR POSITION IN MAY 1973 (REFS E AND F). IN HIS TRIP TO

THE US IN AUGUST 1974, COMMISSIONER CHEYSSON ENUMERATED SPECIFICALLY ALGERIA, MOROCCO, TUNISIA, LIBYA, JORDAN, LEBANNON, SYRIA AND EGYPT AS BEING COVERED (REFTEL G), APPARENTLY WITHOUT THIS BEING CONTESTED BY THE US SIDE. OTHER CONVERSATIONS ALSO RECOGNIZED THE INCLUSION OF THE MEDITERRANEAN LDC ELEMENT IN CASEY/SOAMES (REFTEL H). (JORDAN IS THE ONLY NON-RIPARIAN MEDITERRANEAN COUNTRY INVOLVED, BUT SINCE NOVEMBER 1972 THE COMMUNITY HAS DEFINED ITS "GLOBAL" MEDITERRANEAN APPROACH AS INCLUDING THE DIRECT RIPARIAN STATES PLUS JORDAN.) HOWEVER, THE US CLEARLY THOUGHT, AND THE AGREED, THAT THE COMMUNITY'S PREFERENTIAL ARRANGEMENTS WITH SPAIN AND ISRAEL WERE IN A SEPARATE CATEGORY, OUTSIDE THE PURVIEW OF CASEY/SOAMES (REFS C, E AND F).

4. SECOND, CONCERNING WHETHER THE EC IS VIOLATING CASEY/SOAMES BY CONTINUING TO SEEK REVERSE PREFERENCES IN THE MAGHREB (ALSO PARA 3, REFTEL A), WE NOTE THAT IN THE CASE OF THE MAGHREB THE LANGUAGE IN THE FINAL PUBLISHED TEXT OF THE ACCORDS IS SLIGHTLY DIFFERENT FROM THAT CITED IN REFTEL I, WHICH WAS BASED ON THE PRELIMINARY TEXTS, AND MAKES IT EVEN CLEARER THAT THE EC IS NOT REVIVING REVERSE PREFERENCES. THE RELEVANT SECTIONS OF THE FINAL TEXTS OF THE EC/MOROCCO AGREEMENT, FOR EXAMPLE, ARE ARTICLES 55 AND 30, IN PARTICULAR THE LATTER WHICH STATES THAT "ON THE OCCASION OF THE EXAMINATIONS PROVIDED FOR IN ARTICLE 55 OF THE AGREEMENT (E.E. 1978 AND 1983), THE CONTRACTING PARTIES SHALL SEEK OPPORTUNITIES TO MAKE PROGRESS TOWARDS REMOVAL OF OBSTACLES TO TRADE, HAVING REGARD HOWEVER TO ITS (SIC) ESSENTIAL DEVELOPMENT REQUIREMENTS". (TEXT POUNDED TO EUR/RPE AND MISSION GENEVA.) THIS VAGUE CLAUSE DOES NOT STATE NOR IMPLY AN AIM TO LIMITED OFFICIAL USE

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RE-ESTABLISH REVERSE PREFERENCES. UNDER THE EC MANDATE FOR THE MASHRAQ, THE COMMISSION NEGOTIATORS HAVE TOLD US THEY WILL BE AIMING AT SIMILAR LANGUAGE.

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INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 AGR-05

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5. TO SUMMARIZE, IT APPEARS TO US CLEAR THAT THE CASEY/SOAMES COMPROMISE DOES INDEED INCLUDE BOTH THE MASHRAQ AND THE MAGHREB. IN REGARD TO THESE COUNTRIES, REVERSE PREFERENCES, WHERE THEY EXIST, ARE BEING ELIMINATED AND THERE IS NOTHING IN THE NEW AGREEMENTS TO JUSTIFY A CONTENTION THAT THE COMMUNITY IS SEEKING REVERSE PREFERENCES. SURELY WE SHOULD NOT PROVIDE THE EC A PRETEXT TO DO SO. IT HAS TAKEN THE EC SEVERAL YEARS TO CARRY OUT CASEY/SOAMES, BUT THE RESULT HAS BANSIHED ONE OF THE MOST PERSISTENT AND TROUBLESOME ISSUES IN US/EC RELATIONS. IT WAS ACCOMPLISHED ON THE TERMS WE SOUGHT. TO CONSIDER REOPENING THIS ISSUE NOW, BY QUESTIONING IN GATT THE ESSENTIAL BASIS OF THE COMPROMISE WOULD IN OUR VIEW BE A SERIOUS MISTAKE.

6. THUS, THE CASEY/SOAMES COMPROMISE DOES IMPLY US AGREEMENT NOT TO CHALLENGE THESE MEDITERRANEAN LDC AGREEMENTS IN THE GATT ON THE GROUNDS OF THEIR INCONSISTENCY WITH ARTICLE XXIV, I.E., PRAGMATIC LIMITED OFFICIAL USE

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TREATMENT IN THE GATT HANDLING EXERCISE. THIS, OF COURSE, IN NO WAY PREJUDICES OTHER ASPECTS OF THE FIVE POINTS, IN PARTICULAR, THE EC'S OBLIGATIONS TO SEEK SOLUTIONS TO SPECIFIC US TRADE PROBLEMS. THIS IS A CENTRAL PART OF THE CASEY/SOAMES AGREEMENT AND THE MISSION BELIEVES SUCH CASES WHEN THEY ARISE

SHOULD BE PRESSED ON THE COMMUNITY. IN CURRENT
CIRCUMSTANCES, HOWEVER, WE WOULD ANTICIPATE THAT THE
COMMUNITY WOULD RESPOND TO SUCH REQUESTS WITH THE
VIEW THAT THE MTN WOULD BE THE PRIME FORUM FOR SOLVING
SUCH PROBLEMS. BUT EVEN THIS RESPONSE WOULD BE A
USEFUL BASIS ON WHICH TO NEGOTIATE. HINTON

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